

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: O'Connell Analyst: Kristina North Bill Number: SB 2080

Related Bills: See previous analyses Telephone: 845-6978 Amended Date: 7/09/98

Attorney: Doug Bramhall

Sponsor:

**SUBJECT:** 1998 California Land & Water Conservation Act/Qualified Contributions Credit

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended May 26, 1998.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO.
- ☒ REMAINDER OF PREVIOUS ANALYSES OF BILL AS INTRODUCED FEBRUARY 20, 1998, AND AMENDED MAY 26, 1998, STILL APPLIES.
- ☒ OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would allow a tax credit to taxpayers who contribute real property to the state, approved local governments, or approved nonprofit organizations designated by the state or local government. The amount of tax credit could not exceed 55% of the fair market value of the qualified contribution.

This analysis addresses the provisions of the bill that pertain to the tax incentives.

### SUMMARY OF AMENDMENT

The July 9, 1998, amendment:

- ◆ resolves the department's implementation consideration by specifying that taxpayer identification numbers for each partner or shareholder, as applicable, be included in the annual listing provided to the Franchise Tax Board by the Secretary of the Resources Agency;
- ◆ resolves one of the department's policy considerations by ensuring that the author's proscription against the donor retaining an interest in the donated property and still qualifying for the credit is effective by expanding the proscription to apply to cases where a person related to the donor retains the interest in the property;
- ◆ resolves the department's technical considerations by clarifying that the qualified contribution is not accepted under PITL or B&CTL, but under the

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input checked="" type="checkbox"/> X NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director

Date

Johnnie Lou Rosas

7/21/98

Public Resources Code ("PRC") by the Secretary of the Resources Agency; and by deleting unnecessary language, in the case of a pass-through entity, specifying how the qualified percentage would be determined by each partner or shareholder since the existing standard division of credit language has the same effect; and

- ◆ makes other technical changes to the PRC that do not directly impact this department or have an effect on state income tax revenue.

The policy considerations that still apply are restated below. Except for the discussion of amendments above, the department's analyses of the bill as introduced February 20, 1998, and as amended May 26 and June 16, 1998, still apply.

### **Policy Considerations**

This bill does not include a sunset date to allow the Legislature to review the effectiveness of the credit.

This bill would provide a credit for donating land and/or water rights equal to as much as 55% of the value of the property, making a land contribution potentially six to eight times more valuable than any other kind of donation. Additionally, in combination with the federal deduction for a charitable contribution, this credit could provide some taxpayers with tax benefits of almost 95% of the value of the donated land or water rights.